

COALITION FOR FAIR MEDICARE PAYMENT

1101 Vermont Avenue, Suite 606

Washington, D.C. 20005

June 6, 2002

The Honorable Nancy L. Johnson, Chairman
Subcommittee on Health
House Ways and Means Committee
1136 Longworth House Office Building
Washington, DC 20515

Dear Madame Chairman:

As you know, the Coalition for Fair Medicare Payment, representing over 350,000 physicians and other providers, has supported the Medicare Payment Advisory Commission's (MedPAC) recommendations to repeal the current statutory update formula for Medicare physician reimbursement and replace it with a formula that primarily bases annual updates on a revised Medicare Economic Index. To that end, the Coalition endorsed your legislation, H.R. 3882, which would implement MedPAC's recommendations.

The Coalition continues to support the principles of H.R. 3882 as a preferred, permanent method to eliminate the inequities created by the current statutory update formula; however, we recognize that budgetary constraints may prevent the House from passing this legislation at this time. For that reason, the Coalition supports, as an interim solution, the physician payment provisions of the Medicare bill being developed by you and Chairman Thomas. We are deeply concerned, however, that beginning in 2006, under your proposal the Medicare update formula will revert back to the current flawed baseline, resulting in untenable negative updates of approximately 18-20% and for this reason we are continuing to work to achieve a more permanent legislative "fix" for this serious problem.

As we understand it, this bill will include a 2003 statutory update, and that updates in 2004 and 2005 will be derived from a modified update formula using a ten-year rolling average of per capita growth in the gross domestic product (GDP), GDP growth plus one percent, and a rebasing of the formula to correct the Centers for Medicare and Medicaid Services' (CMS) enrollment projection errors in 1998 and 1999. In addition, we understand that CMS may make some modest changes in how it measures productivity gains. Combined, these changes are expected to result in positive updates of approximately 2% each year

for the next three years, rather than the projected negative updates of 5.7% in 2003, 5.7% in 2004 and 2.8% in 2005.

We also want to acknowledge and applaud you for your determined ongoing efforts, along with those of Chairman Thomas, to persuade the Administration to make additional administrative changes that would significantly ameliorate the severity of the "cliff" in 2006, thereby making the development of a permanent solution more financially palatable. Should a permanent solution be unachievable this year, we will count on the opportunity to work with you and your colleagues in the 108th Congress, to make sure that the cliff does not occur.

The Coalition wishes to once again express its gratitude for the very significant personal commitment that you, Chairman Thomas and your excellent staff members have invested in this bill. We also want you to know how much we appreciate your ready accessibility and willingness to work with us in developing an interim solution to this difficult problem.

Sincerely,

American Academy of Dermatology Association
American Association for Thoracic Surgery
American Association of Neurological Surgeons
American Association of Orthopaedic Surgeons
American College of Cardiology
American College of Emergency Physicians
American College of Surgeons
American Gastroenterological Association
American Society of Anesthesiologists
American Society of Cataract and Refractive Surgery
American Society for Clinical Pathology
American Urological Association
Congress of Neurological Surgeons
Society of Thoracic Surgeons